

From: Korea Accounting Standards Board

Subject: 2015 Agenda Consultation

AOSSG Members' Comments on 2015 Agenda Consultation

Q1. The IASB's work plan includes five main areas of technical projects:

- (a) its research programme;**
- (b) its Standards-level programme;**
- (c) the *Conceptual Framework*;**
- (d) the Disclosure Initiative; and**
- (e) maintenance and implementation projects.**

What factors should the IASB consider in deciding how much of its resources should be allocated to each area listed above?

Country	Comments
China	- We suggest the IASB considers: (1) focusing on general and cross cutting issues that apply to all IFRS Standards, such as the Conceptual Framework and the Disclosure Initiative; (2) the urgency and necessity of the projects; (3) maintaining a relatively stable plat form for those jurisdictions who are using IFRSs; (4) resolving the implementation issues in a timely manner; (5) whether it is a specific issue(such as extractive industries) or a higher level cross-cutting issue(such as intangible assets), as the specific issues are not as important as the higher level cross-cutting issues; (6) geographically widespread, which is more important than those affecting only a single jurisdiction.
Hong Kong	- We consider that the factors set out in paragraph 55 of the Request for Views are appropriate for the IASB to consider when prioritising individual projects on its work plan and allocating resources to the projects.
Japan	- In general, we think that the IASB appropriately identified factors to consider in paragraph 55 of the RV, when deciding how much of its resources should be allocated to each of the technical projects in light of its strategic focus. However, as suggested in our comment letter to the IFRS Foundation's Request for Views on <i>Trustees' Review of Structure and Effectiveness: Issues for the Review</i> , we believe that 'convergence' remains an important factor to consider in promoting the comparability of financial information and achieving the long-term goal of a single set of high quality accounting standards. Hence, we recommend that the IASB to add 'the convergence with US GAAP and other national standards' as one of the factors to consider.

	<ul style="list-style-type: none"> - In addition, although we found that the factors set out in the RV are generally appropriate, we think that a list of factors is too long to consider individually. Accordingly, we suggest that the factors should be classified into the following categories as follows: <ul style="list-style-type: none"> (a) Overall consideration: the overall balance of the work plan and the overall balance in the pipeline of research projects that may ultimately come forward to Standards-level programme (b) Factors that supports overall consideration which relate to achievement of the IASB’s goals <ul style="list-style-type: none"> - The importance of the matter to those who use financial reports - The urgency of the problem to be resolved - Convergence with US GAAP and other national standards (c) Constraints that would provide limitations to the IASB’s works when considering overall consideration <ul style="list-style-type: none"> - Interaction with other current or possible projects - The complexity and breadth of the problem to be resolved, and the feasibility of possible solutions being developed - The capacity of stakeholders to respond to proposals, both as individual proposals and across the work plan as a whole - The availability of sufficient time from IASB members and staff resources
Korea	<ul style="list-style-type: none"> - We believe that the factors the IASB should consider when allocating resources to each of these 5 areas ought to be, among others, ① blazing a trail in the uncharted accounting territory such as rate-regulated activities and pollutant pricing mechanism, ② maintaining the convergence with the US GAAP, and ③ promptly resolving IFRS implementations issues. These three factors altogether should be considered in all of the five areas equally.
New Zealand	<ul style="list-style-type: none"> - The NZASB supports the factors listed in paragraph 15 of the <i>Agenda Consultation</i>. We also suggest adding an additional factor, “changes in the economic environment”. - As noted in the <i>Agenda Consultation</i>, the IASB envisages that the level of resources needed for the <i>Conceptual Framework</i>, and the Disclosure Initiative will lessen during the period covered by this consultation. We believe that the current activity level of the standards-level programme and the maintenance and implementation projects is appropriate. Therefore, we would agree with increasing the resources in the research programme as the demands of other standard-setting activities lessen. - We note that although the <i>Conceptual Framework</i> is targeted for completion in the next 12-18 months, a number of projects related to the <i>Conceptual Framework</i> are expected to continue during the period covered by this consultation. We encourage the IASB to maintain its momentum on these related projects to ensure their completion in a timely fashion.

Q2. The IASB's research programme is laid out in paragraph 32 and a further potential research topic on IFRS 5 is noted in paragraph 33.

Should the IASB:

(a) add any further projects to its research programme? Which projects, and why? Please also explain which current research projects should be given a lower priority to create the capacity for the IASB to make progress on the projects(s) that you suggested adding.

(b) remove from its research programme the projects on foreign currency translation (see paragraphs 39-41) and high inflation (see paragraphs 42-43)? Why or why not?

(c) remove any other projects from its research programme?

Country	Comments
Australia	<p><u>Suggesting projects to be added to IASB research agenda</u></p> <ul style="list-style-type: none"> - Conceptual Framework – Measurement, Definition of Profit - Government grant accounting – review of IAS 20 - IFRS 5 – although unclear whether this needs to be on the research agenda or immediately on the standard-setting agenda - Equity Method – a fundamental review of the role of equity accounting – e.g. looking at whether there is a role for equity accounting and what the alternatives (for example, proportionate consolidation) might be - Terms of likelihood – improve consistency across entities and jurisdictions in applying terms of likelihood - Digital currency – this may feed into a broader research project, for example intangible assets
China	<p>(a) In our opinion, the following projects should be of high priority: (1) Business combination under common control; (2) Definition of a Business; (3) Goodwill and intangible assets; (4) Pollutant Pricing Mechanisms; (5) Disclosure Initiative; (6) Equity Method; (7) Financial Instruments with Characteristics of Equity; (8) Share-based Payment; (9) Provisions, Contingent Liabilities and Contingent Assets.</p> <p>(b) We agree with the IASB's tentative decision on inactive projects.</p> <p>(c) We suggest removing the following projects: (1) Post-employment Benefits (including Pensions); (2) Income Taxes.</p>
Hong Kong	<p><u>Proposed short-term project</u></p> <ul style="list-style-type: none"> - We would like the IASB to consider a short-term project that assesses the usefulness of the criteria for exemption from preparing consolidated financial statements under IFRS 10 <i>Consolidated Financial Statements</i>. We think that this project could be added to the IASB's standard-setting programme but understand if further research may be necessary to consider this request. That

said, we think that any necessary research would not require significant resources.

- The Institute submitted a letter¹ to the IASB in 2014 regarding our proposal above to delete paragraph 4(a)(iv) of IFRS 10. This paragraph sets out one of the conditions for when a parent entity is not required to present a consolidated financial statements:

"its ultimate or any intermediate parent produces consolidated financial statements that are available for public use and comply with International Financial Reporting Standards."

- As stated in our letter, there appears to be no clear rationale for the above condition. We think that this condition seems to imply that the company-level financial statements of an immediate holding company (IHC) are sufficient for IHC's users when its ultimate or immediate parent entity prepares IFRS consolidated financial statements but insufficient for the same users when the ultimate or immediate parent entity does not prepare IFRS consolidated financial statements.
- We believe that the test for any conditions set must be whether the resulting information from passing or failing those tests is useful to those users to help them understand the IHC's financial performance and financial position. However, concerning paragraph 4(a)(iv) of IFRS 10, we cannot see the relevance of the type or availability of financial statements prepared by the ultimate parent to the question of the usefulness of company level information prepared by the IHC. In fact, we believe this is consistent with the thinking reflected in paragraph 3.24 of the IASB's Exposure Draft ED/2015/3 *Conceptual Framework for Financial Reporting* which states that 'consolidated financial statements of the parent are not intended to provide information to users of a subsidiary's financial statements'. Our views on this issue are explained in more detail in our letter to the IASB in response to ED/2015/3².
- Because of this inconsistency, we request that the IASB add this project to its standard-setting programme and, consider whether paragraph 4(a)(iv) of IFRS 10 should be deleted entirely.

Removal of inactive research projects

- We agree with the suggestion to remove the projects on foreign currency translation and high inflation from the research programme as we do not find any major application issues in these two topics in our jurisdiction.
- For the same reasons, we suggest that the IASB considers removing the project on extractive activities/intangible assets/research and development from the

¹ The Institute's letter to the IASB regarding the proposal to delete paragraph 4(a)(iv) of IFRS 10 is available at http://www.hkicpa.org.hk/file/media/section6_standards/standards/FinancialReporting/submission-pdf/2014/sub_ifrs10.pdf.

² The Institute's submission to the IASB on the Exposure Draft on *Conceptual Framework for Financial Reporting* is available at <to insert hyperlink after the submission is posted to website>.

	<p>research programme so as to create capacity for the IASB to make progress on other projects.</p>
<p>Japan</p>	<p><u>Removal of other projects from the IASB’s research programme</u></p> <ul style="list-style-type: none"> - In general, we think that the IASB appropriately identified its research projects in the RV. We do not find any specific projects to add to the IASB’s research programme. <p><u>Removal of the projects on foreign currency translation and high inflation from the IASB’s research programme</u></p> <ul style="list-style-type: none"> - As for the projects on foreign currency translation and high inflation, we offer the following views: <ul style="list-style-type: none"> (a) Project on foreign currency translation <p>In principle, we do not believe that the IASB should remove the project on foreign currency translation from its research programme, because a number of conceptual and practical issues have been identified especially regarding the interplay between the concept of measurement and translation. If the IASB decides to remove the project from the research programme, we believe that the IASB should at least undertake a project to make limited modifications to accounting requirements regarding determination of functional currency. This issue has been identified as one of the significant obstacles for certain segments of Japanese entities to consider a transition to IFRSs, while possible solutions should be relatively straightforward.</p> (b) Project on high inflation <p>We agree that the IASB should remove the high inflation from its research programme, considering the relative importance of the issue in the entire projects.</p> <p><u>Removal of other projects from the IASB’s research programme</u></p> <ul style="list-style-type: none"> - Of the projects identified in the IASB’s research programme, we believe that the project on goodwill should be migrated into a list of standard-setting projects for the following reasons: <ul style="list-style-type: none"> (a) Based on the feedback received during the course of the PiR, the IASB identified accounting requirements regarding goodwill as one of the issues with ‘higher’ priority. In the ASBJ’s view, the feedback received very clearly indicated the issues and possible solutions. (b) A lot of relevant information including the feedback from international stakeholders has been available to the IASB already through the publication of the Discussion Paper <i>Should Goodwill Still Not Be Amortised?</i> by collaborative work of the ASBJ, European Financial Reporting Advisory Group (EFARG) and Organismo Italiano di Contabilità (OIC). In our view, such information should constitute part of ‘evidence’ in the IASB’s standard-setting consideration. (c) The FASB has been working on the project of accounting requirements

	<p>regarding goodwill. Considering the magnitude of the project on the comparability of an entity's financial information in different regions, we think that it is important for the IASB to work together with the FASB, so as to maintain the degree of convergence on this accounting requirement as much as possible.</p> <ul style="list-style-type: none"> - In addition, we think that the project on 'discount rate' could be removed. We think that, so far, the IASB did very useful work on the fact-finding study about the use of discount rate in Standards. At the same time, due to the nature of findings, we think that possible future works should be incorporated into the IASB's other existing projects as opposed to progressing with the
Korea	<p><u>Suggesting projects to be added to IASB research agenda</u></p> <p><i>Translating effects on the impact of IFRS adoption</i></p> <ul style="list-style-type: none"> - We suggest 'Translating effects on the impact of IFRS adoption' as a research project. Impact of IFRS adoption is different from the level of enforcement of law and regulation and difference between local GAAP and IFRS. Jurisdictions that do not speak English have a difficulty in adopting and implementing IFRS because of translation. Therefore identifying translation issues and improving it would be helpful for more jurisdictions' adopting IFRS in global. <p><i>Regionally different interpretation for judgmental terms under IFRS</i></p> <ul style="list-style-type: none"> - We suggest 'Regionally different interpretation for judgmental terms under IFRS' as a research project. There might be different interpretation for IFRS requirements among jurisdictions that use different language. Therefore clarifying IFRS expressions(eg. terms of likely hood) that may have diversity in interpretation would be helpful for consistent applying IFRS in global. <ul style="list-style-type: none"> - We think that high inflation should be given the lowest priority among current IASB research project. <p><u>Foreign Currency Translation</u></p> <p><i>Summary of the KASB's opinion</i></p> <ul style="list-style-type: none"> - As to the foreign currency translation project, we are worried about the IASB's stance that the project should be removed from the list of active issues on the current Research Programme for the reason that on the whole IAS 21 is functioning well at present. It should be noted that, as shown in paragraph 6.5 of the Discussion Paper <i>A Review of the Conceptual Framework</i>, the IASB determined that the issues associated with the translation of amounts denominated in foreign currency were best dealt with when revising the relevant Standard, instead of in the Conceptual Framework. Against this background, the work of examining the nature and purpose of foreign currency translation may fall in limbo if the project is removed from the Research Programme that has the potential to advance into standard projects. <p><i>The problem as identified by the KASB</i></p>

	<ul style="list-style-type: none"> - There have been recurring requests from entities in emerging economies for amendment to the standards on foreign currency accounting whenever financial crises occur. They argued that it would become unfaithful representation if all monetary items denominated in foreign currency should be translated using the closing rate without any exception even in the event of abnormalities on foreign currency markets as seen in the global financial crisis in 2007-2008. Those requests drew attention to misrepresentation of an entity's financial status and performance due to the extreme volatility arising from the translation of foreign currency monetary items at the 'closing rate'. <p><i>The nature of the issue and the KASB's approach</i></p> <ul style="list-style-type: none"> - Currently IAS 21 requires companies to translate foreign currency monetary item by using 'closing rate', that is the current spot rate at the end of a reporting period, even if the foreign item is recovered or settled sometime in the future. We think this is simply a rule that cannot fit in all circumstances. In our perspective, there is an underlying principle behind the rule, and that principle is considered to be that companies should translate by using best estimate of future exchange rate at which the foreign currency monetary items are recovered or settled. The current spot rate usually represents the best estimate but does not seem always. So, what we suggest is that the IASB should look at what the principle is in regards to foreign currency translation and see if there is an extraordinary situation (eg the global financial crisis in 2008) that requires specific guidance to meet the principle.
<p>New Zealand</p>	<p><u>Question 2(a)</u></p> <ul style="list-style-type: none"> - We believe that the IASB should include a fourth category in its Research Programme in addition to assessment stage, development stage and inactive. The fourth category would be thought leadership. We believe that the IASB should ensure that there is some resource available to address broader and developing issues in financial reporting. We acknowledge the IASB's current resource constraints, and suggest that partnering with jurisdictional standard-setters to develop thought leadership papers may help. - We note the interrelationship between the following two projects, both of which are related to the <i>Conceptual Framework</i> project: <ul style="list-style-type: none"> (a) Financial Instruments with Characteristics of Equity; and (b) Provisions, Contingent Liabilities and Contingent Assets. - Given that both projects have a strong liability focus we suggest that the IASB address them concurrently, to ensure consistent outcomes are achieved. - We note the increasing interest in cryptocurrencies which are virtual decentralised currencies. The most well known of these is "bitcoins. In our view, the IASB should undertake some preliminary scoping work in this area with a view to adding it to the Research Programme, and attribute a medium level of importance to it. - On the question of adding IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> to the Research Programme, we are not aware of any significant matters that would warrant it being a priority for the Research

	<p>Programme. Consequently, we recommend not including it in the Research Programme.</p> <p><u>Question 2(b)</u></p> <ul style="list-style-type: none"> - We agree with the proposal to remove from the IASB agenda the currently inactive projects on foreign currency translation and high inflation. <p><u>Question 2(c)</u></p> <ul style="list-style-type: none"> - We propose that the currently inactive project on Extractive Activities/Intangible Assets/Research and Development be retained, but reframed as a disclosure project, because we consider it important that information on all assets is included in the financial statements. Reframing the project as a disclosure project might be a useful step in improving the information provided in respect of these items, and in developing thinking about them.
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Q3. For each project on the research programme, including any new projects suggested by you in response to Question 2, please indicate its relative importance (high/medium/low) and urgency (high/medium/low).

Please also describe the factors that led you to assign those rankings, particularly for those items you ranked as high or low.

【Australia】

Project Stage	Project	Importance (high/medium/low)	Urgency (high/medium/low)	Basis of ranking for importance and urgency
Assessment stage	Definition of a Business			Appears to have been moved to standard-setting work plan
	Discount Rates	High	Medium	Provide a sound basis for determining discount rate requirements/ guidance in future IFRS and improve internal consistency in existing IFRS
	Goodwill and Impairment	Medium	Medium	Review of impairment requirements generally may be timely
	Income Taxes	Low	Low	
	Pollutant Pricing Mechanisms	Medium	Low	Provide consistency in accounting for varied ETS models
	Post-employment Benefits	Low	Low	Range of entities and jurisdictions affected not as broad compared to other projects
	Primary Financial	Medium	Medium	Would expect it to inform on definition of Profit

Project Stage	Project	Importance (high/medium/low)	Urgency (high/medium/low)	Basis of ranking for importance and urgency
	Statements			and OCI
	Provisions, Contingent Liabilities and Contingent Assets	High	Medium	Improved consistency in application
	Share-based Payment	Low	Low	Complexity may continue to arise as SBP are designed to achieve particular accounting outcomes
Development stage	Business Combinations under Common Control	Medium	Medium	Depends on whether project scope is likely to be sufficiently broad
	Disclosure Initiative-Principles of Disclosure	High	Medium	Important, but should take the time needed to develop sound principles
	Dynamic Risk Management	Low	Low	Wait to see how new hedging requirements are implemented to gauge how this project should be progressed
	Equity Method	Low	Low	Would only support work on this project if it were a fundamental review of the equity method – e.g. looking at whether there is a role for equity accounting and what the alternatives (e.g., proportionate consolidation) might be
	Financial Instruments with Characteristics of Equity	High	High	Forms part of the purpose of the definition of a liability, which is also being revisited as part of the Conceptual Framework project
Inactive	Extractive Activities	Medium	Medium	Would be good to have consistent accounting globally.
	Intangible Assets, R&D	High	Medium	Review timely as more intangible products developed. May be that better disclosures are developed in advance of developing recognition & measurement approaches.
	Foreign Currency Translation	Low	Low	Agree with proposed deletion of the research project
	High Inflation	Low	Low	Agree with proposed deletion of the research project

【China】

Projects of high priority

- Business Combinations under Common Control
- Definition of Business

- Goodwill and Intangible Assets
- Pollutant Pricing Mechanisms
- Disclosure Initiative-Principles of Disclosure
- Equity Method
- Financial Instruments with Characteristics of Equity
- Share-based Payment
- Provisions, Contingent Liabilities and Contingent Assets

【Hong Kong】

Projects of high priority

We consider the following projects should be of high priority:

■ 'Financial instruments with characteristics of equity' and 'Provisions, contingent liabilities and contingent assets'

These two projects are highly integral to the Conceptual Framework project, in particular, in relation to the notions of liability, and liability versus equity. These projects should not just focus on the current application issues of the respective standards. Instead, the IASB should do a fundamental review of the concepts (or requirements) underpinning those standards. Because we see these projects as an extension of the Conceptual Framework project, it would make sense that the IASB places a high priority on these projects following the completion of its Conceptual Framework project.

■ 'Disclosure initiative – Principles of disclosure' and 'Primary financial statements'

We can foresee the significant beneficial outcomes of the IASB's Disclosure Initiative project, including the Primary Financial Statements project. We think that these projects will address the current issue with financial reporting and will contribute to a widespread improvement in reporting quality globally. Therefore, these projects should be prioritised.

■ Business combinations under common control

Business combination under common control is a regular occurrence in Hong Kong. Currently, such transactions are excluded from the scope of IFRS 3 *Business Combinations* and other IFRS standards do not address the issue explicitly. Because of the frequency of such transactions in Hong Kong, the Institute developed Accounting Guideline 5 *Merger Accounting for Common Control Combinations* that applies the merger accounting concept for recognising a common control combination. We also note that other national standard-setters have developed guidance for use in their jurisdictions as well, and these guidance may or may not be consistent with our guidance. We are concerned that the lack of guidance under IFRS, and the various guidance developed in different jurisdictions, have created divergence in practice when accounting for such transactions. We therefore believe that development of a global standard which sets out the principles for accounting for business combinations under common control is needed urgently in view of the widespread impact to users of financial reports globally.

■ Equity method

There have always been conceptual issues and practical difficulties in applying equity accounting for investments in associates. We understand that the IASB is undertaking, in the short term, a narrow-scope project to simplify the equity method and address the implementation issues identified by the Interpretations Committee and, in the longer term, a more fundamental assessment of the objective and principles of the equity method.

While we initially agree with the approach taken by the IASB, we now think that there is an urgency for a fundamental review of the equity method. This is particularly so because the scope of consolidation under IFRS 10 includes entities that are under de facto control of an investor. Accordingly, there may no longer be a need for a one-line consolidation method for associates especially when the costs and complexity of applying the method to investments in associates outweigh the benefits of the information provided. We, therefore, think that the IASB should place a high priority on the fundamental review of the equity method of accounting.

■ Goodwill and impairment

In our submission on the IASB's *Post-Implementation Review: IFRS 3 Business Combinations*³, we recommended that the IASB revisits the accounting for goodwill and particularly consider whether an accounting model that is based on amortisation and indicator-based impairment testing would be more appropriate. Conceptually, we consider that the current approach fails to address the fact that over time purchased goodwill in most cases is inevitably replaced by goodwill that is generated internally. We also note the practical difficulties in applying IAS 36 Impairment of Assets particularly for goodwill.

We think that goodwill and impairment accounting affects a wide range of entities and users of financial reports globally. Accordingly, we think that this project warrants a high urgency and importance.

We also think that the IASB could potentially speed up the progress of this project as it has received sufficient feedback on the accounting for goodwill and impairment from its post-implementation review of IFRS 3, and potentially need not conduct significant research on the issue.

■ Criteria for consolidation exemption under IFRS 10

As mentioned in our response to question 2 above, the criteria for consolidation exemption set out in paragraph 4(a)(iv) of IFRS 10 is not consistent with the thinking in paragraph 3.24 of the IASB's Exposure Draft ED/2015/3 in relation to the boundary of a reporting entity. In light of this, we recommend that the IASB conducts a short-term study that considers the need for amendment to paragraph 4(a)(iv) of IFRS 10.

³ The Institute's submission to the IASB on Post-Implementation Review: IFRS 3 Business Combinations is available at http://www.hkicpa.org.hk/file/media/section6_standards/standards/FinancialReporting/submission-pdf/2014/sub_ifrs3.pdf.

Projects of medium priority

We are aware that there are certain application issues with the relevant standards associated with the following projects.

- Definition of a business
- Discount rates
- Income taxes
- Share-based payment

We think that if the IASB were to undertake research on these topics, the research should be a comprehensive review of the existing requirements, and therefore will require a significant level of resources. Furthermore, we think that the existing standards associated with these projects are still largely operational, and therefore, these projects are not as urgent as those that we classify as high priority.

Projects of low priority

In Hong Kong, we do not have any major implementation issues on the relevant standards or major need for projects outlined below and therefore categorise these projects as low priority.

- Pollutant pricing mechanisms (formerly emissions trading schemes)
- Post-employment benefits (including pensions)
- Dynamic risk management
- Extractive activities / intangible assets / research and development
- Foreign currency translation
- High inflation

Taking into account the urgency of other projects and resource constraints, we consider that these topics are of low priority for the IASB in the coming years.

【Japan】

Based on the comments that we have so far heard from the IASB's stakeholders (including those from Japan as well as other jurisdictions), we think that each project on the research programme could be assigned to the following mapping based on its relative importance and urgency.

Urgency Importance	High	Medium	Low
High	Goodwill and Impairment Disclosure Initiative-Principles of Disclosure	Primary Financial Statements Equity Method Financial Instruments with Characteristics of Equity	Provisions, Contingent Liabilities and Contingent Assets
Medium	Post-employment Benefits	Definition of Business Dynamic Risk Management Pollutant Pricing Mechanisms	Business Combinations under Common Controls Review of IFRS 5

		Share-based Payment	
Low		Income Taxes	Discount Rates

We provide following rationale in assigning degrees of importance and urgency stated in the table above:

- (a) First and foremost, relative importance and urgency shown in the table above is not the reflection of the views from the Japanese stakeholders only. Instead, the table reflects our view that the IASB would consider based on the comments from its stakeholders including those from Japan. For example, we do not necessarily believe that it is necessary for the IASB to undertake the project to review IAS 37, but we believe that it should be an important project if the IASB decides to undertake the project.
- (b) Views on importance and urgency vary depending on stakeholders' roles in the financial reporting community. For example, in our discussion with stakeholders, users assigned higher priority to Primary Financial Statements and Disclosure Initiative, as these projects relate to presentation of subtotals of the statement of financial performance (such as operating income) as well as non-IFRS information. However, preparers do not think the same way, especially because they strongly disagreed with the IASB's proposals in its previous project on Financial Statement Presentation.

From the viewpoint of Japanese stakeholders, we believe that the following projects are critically important and urgent.

(a) Improvement of the *Conceptual Framework*

As stated in our comment letter to the IASB's ED *Conceptual Framework for Financial Reporting*, we strongly believe that improvement of the *Conceptual Framework* is critically important so as to ensure that financial information resulting from the application of IFRSs (especially the information shown in 'profit or loss') is of high quality. Hence, we strongly encourage the IASB to spend sufficient time and resources (including performing sufficient outreach activities to its stakeholders around the world) before finalising the project.

(b) Development of the Principles of Disclosure

We believe that development of the high quality principles of disclosure is critically important to address the issue of 'disclosure overload' cited by a number of stakeholders from financial reporting community. Hence, consistent with our comment on the *Conceptual Framework* project, we strongly encourage the IASB to spend sufficient time and resources before finalising the project.

(c) Amortisation of goodwill

As has been communicated in previous consultation and as stated in our comments, we believe that that reconsideration of accounting requirements regarding goodwill is critically important and urgent. Especially, we strongly believe that the IASB should replace the current 'impairment-only approach' with the 'impairment and amortisation approach'.

【Korea】

Urgency Importance	High	Medium	Low
High	Foreign Currency Translation Business Combination under Common Control Definition of Business Pollutant Pricing Mechanisms	Financial Instruments with Characteristics of Equity	Primary Financial Statements Disclosure Initiative-Principles of Disclosure
Medium	Equity Method	Discount Rates	Income Taxes Extractive Activities Dynamic Risk Management
Low		Share-based Payment	Goodwill and Impairment Post-employment Benefits Provisions, Contingent Liabilities and Contingent Assets Intangible Assets, R&D High Inflation

Research projects at assessment phase

■ Definition of Business: importance(high)/urgency(high)

The IASB preferentially needs to consider improving the definition of a business in IFRS 3 because:

- The definition of a business is very significant concept in that the scope of the IFRS 3 depends on the definition of a business, but the definition of a business in IFRS 3 is too broad and complex.
- IFRS 3 is not clear on the definition of a business when the entity acquired does not generate outputs, what market participants mean, what the capable of mean and so on.
- The definition of a business needs to encompass a number of cases and examples to help entity determine the definition of a business.

■ **Discount Rates: importance(medium)/urgency(medium)**

While we believe that consistent guidelines should be drawn up on application of discount rates, we first need to work further on identifying issues that may cause problems in practice.

■ **Goodwill and Impairment: importance(low)/urgency(low)**

For the amortization of goodwill and goodwill impairment, if there is both a logical practical advantages or disadvantages which it is currently difficult to see how this superiority. Because not long after the amendment to the goodwill impairment of goodwill amortization, we need to put some more.

■ **Income Taxes: importance(medium)/urgency(low)**

Although implementation issues keep arising, the IAS 12 already has detailed requirements. We do not think there are many issues regarding income tax accounting.

■ **Pollutant Pricing Mechanisms: importance(high)/urgency(high)**

There is significant diversity in accounting for emission trading schemes.

■ **Post-employment Benefits: importance(low)/urgency(low)**

Since the existing Standard is arguably consistent with the US GAAP in broad terms, a new project on IAS 19 would lead to divergence from the US GAAP. We would not want to undermine convergence between IFRS and US GAAP.

■ **Primary Financial Statements: importance(high)/urgency(low)**

This project is critical to improve the practice of the presentation and disclosure of financial statements. However, the IASB should consider carrying out this project with the long-term perspective. That is because it needs to put more weight on facilitating conversion in the stakeholder' s way of thinking rather than just providing standard' s amendments.

■ **Provisions, Contingent Liabilities and Contingent Assets: importance(low)/urgency(low)**

The IASB needs to decide whether revision of IAS 37 is required, considering interactions with the Conceptual Framework, if it is urgent in practice.

■ **Share-based Payment: importance(low)/urgency(medium)**

In terms of urgency, we rate this project as medium priority on the ground that several interpretative issues have been brought to the IFRS Interpretations Committee and we think it may be necessary to review IFRS 2 in a broader perspective to deal with those issues. However, In terms of importance, we rate it as low priority because we are concerned that if the IASB undertakes this project on its own, IFRS and US GAAP could lead to divergence given that

IFRS 2 and the equivalent requirements in US GAAP for share-based payment are substantially converged.

Research projects at development phase

■ Business Combinations under Common Control: importance(high)/urgency(high)

IFRS has not yet provided an organized and consistent accounting standard for BCUCC. Such lack of standard give rise to diverse accounting treatment, such as carrying amount basis or fair value basis, in practice which in turn results in deteriorated comparability of accounting information all over the world. In particular, some entities under complicated governance structure can abuse this situation by using re-organizations under common control.

■ Disclosure Initiative-Principle of Disclosure: importance(high)/urgency(low)

This project is critical to improve the practice of the presentation and disclosure of financial statements. However, the IASB should consider carrying out this project with the long-term perspective. That is because it needs to put more weight on facilitating conversion in the stakeholder' s way of thinking rather than just providing standard' s amendments.

■ Dynamic Risk Management: importance(medium)/urgency(low)

The standard for dynamic risk management is necessary, as there are difficulties in applying existing hedge accounting requirements to portfolios in which exposures change frequently. However the views on the objective and scope of this project are mixed. Further research is needed.

■ Equity Method: importance(medium)/urgency(high)

There have been requests to take a more fundamental look at the equity method of accounting, and it is an important issue in Korea although any serious problems have not been caused by the current equity method.

■ Financial Instruments with Characteristics of Equity: importance(high)/urgency(medium)

We do believe that IAS 32 needs improvement as we have difficulties in understanding its underlying rationale and applying the standard in practice. However, changing the standard of distinction between liabilities and equity could lead to confusion, and thus the issue should be discussed over a sufficient period of time.

Inactive research projects

■ Extractive Activities: importance(medium)/urgency(low)

We haven' t seen may implementation issues regarding extractive activities, as we do not have many companies in the industry.

■ Intangible Assets, R&D: importance(low)/urgency(low)

IFRSs already have detailed guidances regarding intangible assets and research & development expenses.

■ High Inflation: importance(low)/urgency(low)

The issue doesn't seem to be widespread across the world.

■ Foreign Currency Translation: importance(high)/urgency(high)

Summary of the KASB's opinion

As to the foreign currency translation project, we are worried about the IASB's stance that the project should be removed from the list of active issues on the current Research Programme for the reason that on the whole IAS 21 is functioning well at present. It should be noted that, as shown in paragraph 6.5 of the Discussion Paper A Review of the Conceptual Framework, the IASB determined that the issues associated with the translation of amounts denominated in foreign currency were best dealt with when revising the relevant Standard, instead of in the Conceptual Framework. Against this background, the work of examining the nature and purpose of foreign currency translation may fall in limbo if the project is removed from the Research Programme that has the potential to advance into standard projects.

Background

The problem as identified by the KASB

There have been recurring requests from entities in emerging economies for amendment to the standards on foreign currency accounting whenever financial crises occur. They argued that it would become unfaithful representation if all monetary items denominated in foreign currency should be translated using the closing rate without any exception even in the event of abnormalities on foreign currency markets as seen in the global financial crisis in 2007-2008. Those requests drew attention to misrepresentation of an entity's financial status and performance due to the extreme volatility arising from the translation of foreign currency monetary items at the 'closing rate'.

Research carried out by the KASB

Since we launched the project on foreign currency translation in 2010, we had been vigorously working for two years through various channels. First, we formed a working group with several other national standard setters including Brazil. We very appreciate their support for our efforts. Second, we presented and discussed our issues at the last AOSSG meeting and EEG meeting. Although not all of participants were supportive, those events were quite helpful opportunities to improve our work. Finally, we submitted our agenda proposal to the IASB in December 2011. The proposal was aimed at quick fix of IAS 21 in order to address extreme volatility in extraordinary situations that I mentioned above. It was also accompanied by our comprehensive research report that touched on several fundamental issues, such as whether Foreign Currency

Translation is a fair value measurement, and if so, how we can explain the apparent inconsistency where a foreign currency loan is measured at amortised cost on the side of that foreign currency but is measured at fair value (ie translated at closing exchange rate) on the side of functional currency.

(1) The nature of the issue and the KASB's approach

Currently IAS 21 requires companies to translate foreign currency monetary item by using 'closing rate', that is the current spot rate at the end of a reporting period, even if the foreign item is recovered or settled sometime in the future. We think this is simply a rule that cannot fit in all circumstances. In our perspective, there is an underlying principle behind the rule, and that principle is considered to be that companies should translate by using best estimate of future exchange rate at which the foreign currency monetary items are recovered or settled. The current spot rate usually represents the best estimate but does not seem always. So, what we suggest is that the IASB should look at what the principle is in regards to foreign currency translation and see if there is an extraordinary situation (eg the global financial crisis in 2008) that requires specific guidance to meet the principle.

(2) Suggestions made by the KASB (December 2011)

Short-term amendments to IAS 21

IAS 21 can be improved by providing guidance for rare circumstances. Current requirement of translating foreign currency monetary items at the closing rate (paragraph 23 of IAS 21) should address rare circumstances, in which an alternative rate to the closing rate should be required or permitted. It is appropriate to use the closing rate as far as the closing rate reflects the market's best estimate of future events that affect the currency, considering an analogy to paragraph BCZ47 of the Basis for Conclusions on IAS 36 Impairment of Assets.

However, in our view, using the closing rate in rare circumstances would not be appropriate since the closing rate does not reflect the market's best estimate of future events in such circumstances. Rare circumstances are the cases where all of the following conditions are met: i) Foreign exchange market classified as a "thin market", ii) Significant exchange rate fluctuation due to exceptional and temporary external shocks such as financial crises, and iii) Long-term foreign currency items.

When a market exists in which the closing rate is unable to reflect the best estimate of future events in an unusual situation, e.g., "financial crises," then the next step should include examining whether it is possible to provide an alternative exchange rate that is more relevant and reliable than the closing rate. The IASB may take interest in the following two alternatives :

- (a) adjusted historical rate model; that is, the exchange rate is determined using a long-term trend line obtained from historical data (for example moving average rate); or
- (b) expected rate model; that is, the exchange rate that represents the normal rate over the long-term, reflecting the best estimate of future events.

Long-term comprehensive review of IAS 21

We suggested that it should be examined on a conceptual level whether foreign currency translation ought to be viewed as part of measurement or merely conversion process from one

currency number to another currency number. There may be different views on this, which we believe is worthwhile for the IASB to explore:

- (a) (View 1) Foreign currency translation is a mechanical conversion, separate from measuring a foreign currency transaction in a foreign currency.
- (b) (View 2) Foreign currency translation is a measurement, separate from measuring a foreign currency transaction in a foreign currency.
- (c) (View 3) Foreign currency translation is a measurement, inseparable from measuring a foreign currency transaction in a foreign currency.

Discussion at the 2014 October IASB meeting

The KASB's suggestions were formally discussed at the 2014 October IASB meeting with the conclusion that the IASB should not proceed with those suggestions.

As to short-term amendments to IAS 21

At that meeting, the staff recommended that the IASB not take this specific issue further forward as a limited amendment project in its own right, for the following reasons:

- (a) the arguments for maintaining the use of the spot rate in the circumstances described are convincing: economic markets give best predictive value that more faithfully represents economic condition at the reporting date, even for long-term monetary items in times of thin markets and financial crises.
- (b) it is unlikely that the benefits of such a proposal would justify the costs of developing (or possibly applying) such an exception.
- (c) there is limited support for such an exception from the outreach available, given, for example, the mixed views from the EEG discussion and the responses to the Agenda Consultation.

As to a long-term comprehensive review of IAS 21

The staff expressed their view that it is not necessary to undertake a comprehensive review of the conceptual basis for IAS 21 for the reason that (a) on the whole IAS 21 is functioning well for the vast majority of foreign exchange transactions and is well understood, and (b) no systemic problem with IAS 21 has been noted by other stakeholders around the globe. Based on this reasoning, the staff recommended the project should be removed from the list of active issues on the current Research Programme with reservations to put it on the 2015 Agenda Consultation for views from around the globe.

The KASB's response

As to short-term amendments to IAS 21

We have some disagreement with the staff paper based on which the IASB deliberation took place because it did not seem to be thorough enough to lead the IASB to well-informed discussion. The staff paper:

- (a) based the staff recommendations partly, if not wholly, on the basis for conclusions of IAS 36, which we requested the IASB to revisit in the context of abnormal circumstances such as the global financial crisis in 2007-2008. We would like to draw the IASB's attention once

again to the suggestion made in the KASB paper that the IASB should revisit the logic of the basis for conclusions of IAS 36 because technology has advanced so much since IAS 36 was first developed decades ago and thus assuming that an entity would make a less reliable estimate of future exchange rates than the current spot exchange rate is no longer appropriate in today's world. ;

- (b) rushed to the conclusion that it is impractical to determine an appropriate alternative rate to use and the precise circumstances in which an alternative rate might be permissible, without referring to IFRS 13 Fair Value Measurement, which we believe already addresses and provides solutions to similar circumstances; and
- (c) paid no attention to the fact that whether a market is deep or thin was already considered and led to differentiated accounting requirements in IAS 19.

As to a long-term comprehensive review of IAS 21

We are not convinced by the staff recommendation and the IASB's decision that the project should be removed from the list of active issues on the current Research Programme for the reason that on the whole IAS 21 is functioning well at present. It should be noted that, as shown in paragraph 6.5 of the Discussion Paper A Review of the Conceptual Framework, the IASB determined that the issues associated with the translation of amounts denominated in foreign currency were best dealt with when revising the relevant Standard, instead of in the Conceptual Framework. Against this background, the work of examining the nature and purpose of foreign currency translation may fall in limbo if the project is removed from the Research Programme that has the potential to advance into standard projects. We find it rather difficult to agree with removing the project on foreign currency accounting from the Research Programme just because IAS 21 appears to function well.

We believe that the IASB would be able to continue the research project by focusing on examining the nature and purpose of foreign currency translation, which were scoped out in the revision project on Conceptual Framework, building on the KASB's research outcome.

【Malaysia】

We would like to recommend the IASB to place high priority on **Financial Instruments with Characteristics of Equity (FICE)** research project. We think that the clarity on determining whether a financial instrument is a liability or equity would be relevant to Islamic financial products

【New Zealand】

Projects of high priority

- Goodwill and Impairment
- Primary Financial Statements
- Business Combinations under Common Control
- Disclosure Initiative-Principles of Disclosure
- Financial Instruments with Characteristics of Equity

Projects of medium priority

- Definition of a Business
- Discount Rates
- Income Taxes
- Pollutant Pricing Mechanisms
- Provisions, Contingent Liabilities and Contingent Assets
- Equity Method

Projects of low priority

- Post-employment Benefits
- Share-based Payment
- Dynamic Risk Management
- Extractive Activities, Intangible Assets, R&D

Projects that should be removed

- Foreign Currency Translation
- High Inflation

Q4. Do you have any comments on the IASB's current work plan for major projects?

Country	Comments
China	<ul style="list-style-type: none"> - We expect the IASB to have more study and outreach activities on the projects of Conceptual Framework and Disclosure Initiative, to maintain certain stability of the revised ones after their issuance and to avoid frequent change after a hurry publish. - We expect the IASB to complete and publish the projects of Insurance contracts and Leases as soon as possible. - We suggest removing the project of Rate-regulated Activities from the active agenda.
Hong Kong	<ul style="list-style-type: none"> - We welcome the expected issuance of the upcoming standards on Insurance Contracts and Leases. We also support the IASB in focusing on making progress on the Conceptual Framework and Disclosure Initiative projects. - The IASB should be prepared for the high possibility of having to provide resources to attend to questions about, or requests to clarify, the standards during the implementation period of these major standards.
Japan	<ul style="list-style-type: none"> - We offer the following comments on the IASB's current work plan for major projects. <ul style="list-style-type: none"> (a) Projects on the <i>Conceptual Framework</i>

	<p>We believe that the IASB’s project on the <i>Conceptual Framework</i> is critically important, as it is expected to assist the IASB to develop high quality Standards based on consistent concepts. Hence, we strongly encourage the IASB to spend sufficient time and resources before finalising the project, so that the revised <i>Conceptual Framework</i> would fulfil the intended objective.</p> <p>(b) Project on Disclosure Initiative</p> <p>We believe that the Disclosure Initiative is very important project, so as to address the concern of ‘disclosure overload’ expressed from many of the financial reporting community.</p> <p>(c) Project on Insurance Contracts</p> <p>We believe that it is critically important for the IASB to undertake sufficient initiative to ensure that the new Insurance Contract Standards is sufficiently understandable and operational. Hence, we encourage the IASB to go through a robust process including a field-testing and an extended fatal-flaw review before finalising the Standard.</p> <p>(d) Project on Rate-regulated Activities:</p> <p>We believe that it is appropriate for the IASB to consider whether the ‘disclosure-only approach’ is more appropriate, considering the incremental benefits and associated costs from undertaking a project to specify recognition and measurement requirements for a subset of rate regulated activities and resulting cliff effects.</p>
Korea	<ul style="list-style-type: none"> - We are largely of the view that the IASB’s work plan is appropriate.
New Zealand	<ul style="list-style-type: none"> - The Disclosure Initiative is a high priority for us. We would like to see a project for the Review of Disclosures in existing standards on the work plan, perhaps divided into specific sub-projects. - We strongly encourage the IASB to issue the Insurance and Leasing standards as soon as possible. - Dynamic Risk Management is a project of low importance and urgency for us. We recommend that the IASB divide the project into two distinct parts: <ul style="list-style-type: none"> (a) A short or medium-term project focusing on improving existing macro hedge accounting requirements; and (b) A long-term project dealing with the implications of dynamic risk management for recognition and measurement.

Q5. Are the IASB and Interpretations Committee providing the right mix of implementation support to meet stakeholders' needs and is that support sufficient (see paragraphs 19-23 and 50-53)?

Country	Comments
China	<ul style="list-style-type: none"> - We expect the IASB and the Interpretations Committee improve efficiency when solving the implementation issues.
Hong Kong	<ul style="list-style-type: none"> - We are concerned about the IASB's current approach in issuing major standards and subsequently tinkering with them by issuing narrow-scope amendments immediately after the major standards are issued. For example, subsequent amendments were made to IFRS 10, IFRS 11 <i>Joint Arrangements</i> and IFRS 15 <i>Revenue from Contracts with Customers</i> immediately after the standards were issued. This may create an impression that the IASB's due process lacks sufficient effects analysis and may create confusion. - As part of its effects analysis, the IASB should consider providing more time to consult with major accounting firms, standard setters and relevant corporates. We understand the possible negative implications in providing more time for consultation as it may result in premeditated delay in issuing standards. The IASB should therefore exercise judgement when determining which draft standards would require more thorough consultation. - The IASB and IFRS Interpretations Committee should also consider whether many narrow-scope amendments are warranted or whether combining them as a yearly consultation process in the likes of the Annual Improvements, or performing a comprehensive review of the standards, is more useful. - In terms of the activities to support the consistency of application and implementation of IFRS, we found the transition resource groups (TRG) to be helpful for supporting users on understanding the new standards. The TRG also provides a platform for stakeholders to discuss and exchange views on potential implementation issues of the new standards. (Staff comment: This may be contradictory to the above paragraphs. To be discussed at the FRSC meeting) - However, in terms of the education initiative, we are cautious about having educational materials as they are not mandatory in nature. We are concerned that readers may misunderstand that the educational materials are part of the IASB bound volume. We believe that the current approach of incorporating application guidance and illustrative examples in the standards are most useful and appropriate to support the consistency of application and implementation of IFRS.
Japan	<ul style="list-style-type: none"> - In general, we think that the IASB and Interpretations Committee generally provide the appropriate implementation support to meet stakeholders' needs. Especially, we found that the IASB's initiatives of Transition Working Group

	<p>for IFRS 15 <i>Revenue with Contracts with Customers</i> is helpful for an entity to avoid unnecessary costs for implementing the Standard.</p> <ul style="list-style-type: none"> - Nevertheless, we believe that the IASB should continue to give sufficient consideration to the needs of the first-time adopters when developing and revising the Standards, so as not to deter entities from their transition to IFRSs
Korea	<ul style="list-style-type: none"> - We are skeptical that the IASB and the Interpretations Committee's support is sufficient to meet stakeholders' needs on a timely basis. As it happens, IFRS adopting countries have increased so greatly that the demand for timely support from the Interpretations Committee is very high. However, it does not appear that any corresponding measures have been taken by the IASB and the Interpretations Committee, for example, there have been no staff increment.
New Zealand	<ul style="list-style-type: none"> - A more regular review of IASB priorities, during the Agenda Consultation cycle, would help to ensure that the IASB's work plan is focused in the appropriate areas and responds to emerging financial reporting issues. - We would encourage the IASB not to make minor changes to a standard that has been issued but not yet implemented. We suggest that any changes be limited to matters of principle. - We believe that Transition Resource Groups should not become a regular feature for all new standards, as they introduce a period of uncertainty while they are in progress. - Although we agree that maintenance and implementation projects are a necessary part of standard-setting, the IASB should not devote too much of its time and attention to minor technical matters, at the expense of more significant projects. We think that it would be helpful for the IASB to reduce the number of maintenance and implementation due process documents that it issues. - We would like to see the batching of minor amendments to standards, thereby reducing the number of narrow-scope amendments that need to be processed. This could be achieved by broadening the criteria for Annual Improvements, allowing narrow-scope amendments to be incorporated in Annual Improvements Exposure Drafts.

Q6. Does the IASB's work plan as a whole deliver change at the right pace and at a level of detail that is appropriate to principle-based standard-setting? Why or why not?

Country	Comments
China	<ul style="list-style-type: none"> - Generally, we think the IASB's work plan is at the right pace.
Hong Kong	<ul style="list-style-type: none"> - We think that the major projects are delivered at the right pace, however, as mentioned in our response to question 5, there has been too many narrow-scope

	<p>amendments to standards.</p> <ul style="list-style-type: none"> - We are satisfied with the level of detail for principle-based standard-setting but would urge the IASB to use simpler and direct / straightforward English language in the standards.
Japan	<ul style="list-style-type: none"> - We generally believe that the recent pace of the changes to the Standards is generally appropriate especially in comparison with that of the years 2010 to 2011, while some stakeholders expressed concern that the current pace of the change is still too fast. - With regard to the effect of changes to the Standards in practice, majority of our stakeholders expressed the view that what's important is to ensure sufficient time for an entity to make necessary changes to their internal process so as to deliver information in accordance with the new requirements (including necessary investments in the IT solutions) before the effective date of the Standard, and it is not necessarily so important for the IASB to try to align effective dates of different Standards. - On the other hand, we do not think that a level of detail of Standards is consistent with each other, because we have found that some Standards are very detailed, while other Standards provide only the principles.
Korea	<ul style="list-style-type: none"> - We are largely of the view that the IASB's work plan as a whole deliver change at the right pace and at a level of detail that is appropriate to principle-based standard-setting, except for the projects on post-employment benefits and share-based payment, which might entail the risks of the relevant IFRSs diverging from the US GAAP given that both standards are currently consistent in those areas. Those two projects should be carefully reviewed before starting off.
New Zealand	<ul style="list-style-type: none"> - We consider that the timespan for the development of some new standard is very long. However, as a whole, the pace of change is reasonable.

Q7. Do you have any other comments on the IASB's work plan?

Country	Comments
Japan	<ul style="list-style-type: none"> - We think that the IASB should clarify the following matters in considering its work plan. <ul style="list-style-type: none"> (a) Role and process of the post-implementation review (PiR) <p>We think that the role of PiR is unclear, especially as to whether the IASB may find it sufficient to proceed with the standard-setting agendas based on the feedback received during the course of the PiR. We are of the view that the feedback from PiR may constitute sufficient inputs for the IASB in deciding whether to undertake standard-setting projects, especially when the feedback indicates the need of change strongly. In order to address the concern that the PiR is only to provide opportunity for stakeholders to identify shortcoming of the newly implemented Standards</p>

	<p>as opposed to possible remedies to the shortcomings, we suggest that the Request for Inputs published during the course of the PiR could ask questions about possible remedies as well as shortcomings respondents identify.</p> <p>(b) Role of the consultation performed by national standards setters and regional groups.</p> <p>In our view, it is important for the IASB to clarify the feedback received through the consultation performed by national standards and regional groups. For example, the ASBJ, EFRAG and OIC published the Discussion Paper regarding goodwill and received useful comments from stakeholders in different regions and global organisations. We believe that the IASB should consider and clarify the best possible ways to effectively leverage their works so as to reduce the duplication of the number of consultations on the same topic to stakeholders.</p>
Korea	<ul style="list-style-type: none"> - UCC transactions refer to all transactions carried out between entities under common control and they frequently occur in a variety of transaction forms according to various purposes including tax savings, corporate reorganization, etc. Therefore, UCC transactions include all transactions conducted between entities under common control, e.g., business combinations (acquisition or disposal of shares or business, merger, etc.), spin-offs, and investment in kind. - We are aware that the IASB intends to deal with only business combination under common control transactions, without addressing other types of UCC transactions. Although we understand that there is a time constraint to complete the project, we think the project should deal with all types of transactions under UCC. This is because transactions under common control frequently occur in a variety of forms with various purposes including tax savings, corporate reorganization, etc. - Our further argument for addressing all types of transactions under common control is that (1) transactions under common control often arises as a mix of various transactions and therefore (2) accounting guidance specifically designed for BCUCC would cause an accounting divergence between business combination and spin-off under common control.
New Zealand	<ul style="list-style-type: none"> - Financial statements are only one component of broader corporate performance reporting. We believe that the IASB needs to play a more active role in the wider corporate performance area and work closely with other relevant bodies.

Q8. Because of the time needed to complete individual major projects, the IASB proposes that a five year interval between Agenda Consultations is more appropriate than the three year interval currently required. Do you agree? Why or why not?

If not, what interval do you suggest? Why?

Country	Comments
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China	<ul style="list-style-type: none"> - We prefer the current three-year cycle, which will be helpful for the IASB to review the appropriateness of its work plan and make adjustments on a timely basis.
Hong Kong	<ul style="list-style-type: none"> - We support keeping with the current three-year interval agenda consultation. We think that three years is a timely cycle for the IASB to take stock and report back on its progress against its agenda and priorities even though major projects typically take longer than three years to complete. - If the IASB were to proceed with a five-year consultation cycle, the IASB should build in an interim consultation process that is of a smaller scale.
Japan	<ul style="list-style-type: none"> - Only as far as the following changes are made, we agree with the IASB's proposal to change the interval of Agenda Consultations from 3-year to 5-year. <ul style="list-style-type: none"> (a) Clarifying the role of Agenda Consultations. In our discussion, some expressed concerns over the proposal to extend the interval period, because they think that the prolonged interval period would result in the IASB failing to respond to stakeholders' concerns in a timely manner. We think that such concern could be addressed by the IASB if it clarifies that the IASB can undertake additional agendas without necessarily going through Agenda Consultations, and the role of Agenda Consultations is to confirm the completeness of the views the IASB has heard from various other channels. (b) Clarifying how to count the interval cycle. In considering the interval cycle, there have been some misunderstandings as to how it should be counted. For example, some have understood that the second Agenda Consultation would be launched in 2014, as the first consultation was carried out in 2011. Hence, we suggest that the IASB clarify that the interval cycle be calculated from the publication date of the RV of the previous consultation, so that the next consultation will be launched in 2020 (instead of 2021). (c) Convening a session dedicated to discuss whether the IASB's agendas remain balanced and appropriate and whether there are agendas to add or removed at least annually during the ASAF and IFRS Advisory Committee (IFRS-AC) meetings. In our view, the result of consultation may often become obsolete, especially were the economic developments are dynamic. Thus, such periodic consultation would more effectively help ensure that the IASB's agendas remain balanced and appropriate based on the latest situations, because the views from the ASAF and IFRS-AC members are expected to reflect collectively the views of the IASB's important stakeholders.
Korea	<ul style="list-style-type: none"> - In principle, we agree with a five-year interval. However, we suggest that the IASB carry out interim (and semi-public) consultation in every two and a half years to assess whether it is necessary to make any adjustment to its plan. One way of performing such interim consultation would be to undertake a survey of IFRS AC, ASAF, Capital Market Advisory Council, Global Preparers Forum, WSS and IFASS, where the IASB could ask them if there is any need to change the current work plan and research programme. Then, if necessary, the IASB would consider adjusting its work plan, for example, amending or adding

	<p>agendas. In this regard, it would be useful to refer to the surveys carried out by the FASB's advisory council (FASAC) in June 2015 and May 2013.</p> <ul style="list-style-type: none"> - On a separate note, we think that the two alternatives (ie three-year interval and five-year interval) have their own advantages. The two alternatives would be argued for as follows: <ul style="list-style-type: none"> <i>Argument for three-year interval</i> ① As 140 jurisdictions, with the number still increasing, use IFRS, there would be high demand for timely response to many issues raised by constituents, especially from newly IFRS-implementing jurisdictions. ② There would be few long-term projects, if any, such as financial instrument and leases in the near future, given that the convergence projects of the IASB and FASB nearly drew to close. <i>Argument for five-year interval</i> ① Sufficient time and resources are necessary to set high quality principle-based accounting standards and to set up and execute a stable project planning. ② It is expected to take more than three years to complete most of the five projects (i.e. Business Combination Under Common Control, Principle of Disclosure, Dynamic Risk Management, Equity Method, Financial Instruments with Characteristics of Equity) in the development phase of the current research programme.
<p>New Zealand</p>	<ul style="list-style-type: none"> - In our view it would make sense to set a maximum timeframe within which consultation on all aspects of the agenda must be carried out. The proposed five year interval between Agenda Consultations would be an appropriate maximum timeframe.